Jamia Hamdard
School of Management and Business Studies
Department of Management
Odd Semester Examination - January 2024
Integrated MBA-IX Semester
Subject Code: MBA(I)-GE-FM-04
Subject Name: Financial Statement Analysis

Roll No...

Duration: 3 Hour

Max. Marks -75
(15X5=75)

Note: Attempt any Five Questions, All questions carry equal marks.

Q1: a). Explain the factors affecting demand and supply of financial statement information.

b). From the following information, prepare a Comparative and Common size Income Statement and Balance Sheet for the year ended March 31, 2021 and 2022.

Particulars	31st March – 2021 (In Rs)	31st March – 2022 (In Rs)
Net Sales	18,00,000	25,00,000
Cost Of Goods Sold	10,00,000	12,00,000
Operating Expenses	80,000	1,20,000
Non-Operating Expenses	12,000	15,000
Depreciation	20,000	40,000
Wages	10,000	20,000

Balance Sheet

Particulars	31st March – 2021 (In Rs)	31st March – 2022 (In Rs)
Share capital	15,00,000	12,00,000
Reserve and surplus	5,00,000	5,00,000
Long-term borrowings	6,00,000	5,00,000
Trade payables	15,50,000	10,50,000
Total	**41,50,000**	**32,50,000**
Tangible assets	14,00,000	8,00,000
Intangible assets	16,00,000	12,00,000
Investments	10,00,000	10,00,000
- Inventories	1,50,000	2,50,000
Total	**41,50,000**	**32,50,000**

Q2: Acme Plumbing Company sells plumbing fixtures on terms of 2/10, net 30. Its financial statements over the last three years are as follows:

Particulars	2020 (In ₹)	2021 (In ₹)	2022 (In ₹)
Cash	30,000	20,000	5000
Accounts Receivable	2,00,000	2,60,000	2,90,000
Inventory	4,00,000	4,80,000	6,00,000
Net Fixed Assets	8,00,000	8,00,000	8,00,000
	14,30,000	15,60,000	16,95,000
Account Payable	2,30,000	3,00,000	3,80,000
Accruals	2,00,000	2,10,000	2,25,000
Bank loan, short term	1,00,000	1,00,000	1,40,000
Long-term debt	3,00,000	3,00,000	3,00,000
Common stock	1,00,000	1,00,000	1,00,000
Retained Earnings	5,00,000	5,50,000	5,50,000
	14,30,000	1560,000	16,95,000
Sales	40,00,000	43,00,000	38,00,000
Cost of Goods Sold	32,00,000	36,00,000	33,00,000
Net Profit	3,00,000	2,00,000	1,00,000

Using the ratios analysis concept, find out the company's financial condition and performance over the last three years, Is there any problem?

Q3: Using the following information, complete the balance sheet:

Long-term debt to equity	*0.5 to 1*
Total Asset Turnover	*2.5 times*
*Average Collection Period**	*18 days*
Inventory Turnover	*9 times*
Gross Profit Margin	*10%*
Acid-test Ratio	*1 to 1*

* Assume a 360 day year and all sales on credit.

Balance Sheet (In ₹)

Cash	?	Notes and Payables	1,00,000
Account Receivable	?	Long-term Debt	?
Inventory	?	Common Stock	1,00,000
Plant and Equipment	?	Retained Earnings	1,00,000
Total Assets	?	Total Liabilities and Shareholders' Equity	?

Q4: Kentucky Fried Chicken (KFC) wishes to prepare financial decisions. Use the financial statements and the other information provided below to prepare the suitable financial statements.

Kentucky Fried Chicken (KFC)

Income Statement

for the Year Ended December 31, 2022 (In $)

Sales Revenue	800,000
Less: Cost of Goods Sold	600,000
Gross Profit	200,000
Less: Operating Expenses	100,000
Net Profits before taxes	100,000
Less: Taxes (rate = 40%)	40,000
Net Profits after taxes	60,000
Less: Cash Dividends	20,000
Transfer to Retained Earnings	40,000

Kentucky Fried Chicken (KFC)

Balance Sheet for the Year Ended December 31, 2022 (In $)

Assets	Amount	Liabilities	Amount
		Account Payable	100,000
Cash	32,000	Taxes Payable	20,000
Marketable Securities	18,000	Other Current Liabilities	5,000
Accounts Receivable	150,000	Total Current Liabilities	125,000
Inventories	100,000	Long-term Debt	200,000
Total Current Assets	300,000	Total Liabilities	325,000
Net Fixed Assets	350,000	Common Stock	150,000
Total Assets	650,000	Retained Earnings	175,000
		Total Liabilities and stockholders' Equity	650,000

The following financial data are also available:

a) The firm has estimated that its sales for 2023 will be $ 9000,000.
b) The firm expects to pay $35,000 in cash dividends in 2023.
c) The firm wishes to maintain a minimum cash balance of $ 30,000.
d) Accounts receivable represent approximately 18% of annual sales.
e) The firm's ending inventory will change directly with changes in sales in 2023.
f) A new machine costing $ 42,000 will be purchased in 2023. Total depreciation for 2023 will be $ 17,000.
g) Accounts payable will change directly in response to changes in sales in 2023.
h) Taxes payable will equal one-fourth of the tax liability on the pro forma income statement.
i) Marketable securities, other current liabilities, long-term debt, and common stock will remain unchanged.

i). Prepare an Income Statement for the year ended 31st December, 2023.
ii). Prepare Balance sheet dated 31st December 2023, as per financial statement, Schedule III, Companies Act, 2013.
iii). Analyse these statements, and discuss the resulting financing requirement.

Q5: From the following Balance Sheets of AB Ltd. as on 31st March 2020 and 2021. Prepare Cash Flow Statement:

Balance Sheet

Particulars	2021 (In ₹)	2020 (In ₹)
Share Capital	6,00,000	5,00,000
Reserves and Surplus	1,60,000	1,10,000
Long Term Borrowings	1,00,000	1,00,000
Short-term Borrowings	65,000	40,000
Trade Payable	75,000	70,000
Short-term Provisions	95,000	70,000
Total Liabilities	10,95,000	8,90,000
Tangible Assets	5,80,000	4,60,000
Intangible Assets	75,000	90,000
Non-Current Investments	1,80,000	1,30,000
Current Investments	1,00,000	80,000
Inventories	50,000	60,000
Trade Receivables	60,000	40,000
Cash and Cash Equivalents	50,000	30,000
Total Assets	10,95,000	8,90,000

Notes:

	2021(In ₹)	*2020 (In ₹)*
a). Securities premium reserves	*60,000*	*40,000*
b). Balance in Statement of P&L	*1,00,000*	*70,000*
c). 10% Debentures	*1,00,000*	*1,00,000*
d). Bank Overdraft	*25,000*	*10,000*
e). Cash Credit	*40,000*	*30,000*
f). Creditors	*50,000*	*40,000*
g). B/P	*25,000*	*30,000*
h). Provision for Tax	*35,000*	*30,000*
i). Proposed Dividend	*60,000*	*40,000*
j). Land and Building	*2,80,000*	*3,00,000*
k). Plant and Machinery	*3,00,000*	*1,60,000*
l). Goodwill	*40,000*	*50,000*
m). Trade Mark	*35,000*	*40,000*
n). 10% Trade Investment	*1,80,000*	*1,30,000*
o). Short-term Investments	*1,00,000*	*80,000*

Additional Information:

i) Interim Dividend paid ₹ 30,000.
ii) Tax Paid during the year ₹ 28,000
iii) Plant of book value ₹ 50,000 was sold for ₹ 30,000
iv) Depreciation on plant and machinery during year was ₹ 20,000.

Q6: Consider the following balance sheets and selected data from the income statement of Keith Corporation, an Indian Company.

Keith Corporation Pvt. Ltd.
Balance Sheets as on 31st December

Assets	*2021 (₹)*	*2020 (₹)*
Cash	1500	1000
Marketable Securities	1800	1200
Accounts Receivable	2000	1800
Inventories	2900	2800
Total Current Assets	8200	6800
Gross Fixed Assets	29,500	28,100
Less: Accumulated Depreciation	14,700	13,100
Net Fixed Assets	14,800	15,000
Total Assets	23,000	21,800
Liabilities and Stock holders' Equity		
Accounts Payable	1600	1500
Notes Payable	2800	2200
Accruals	200	300
Total Current Liabilities	4600	4000
Long Term Debt	5000	5000

Total Liabilities	9600	9000
Common Stock	10,000	10000
Retained Earnings	3400	2800
Total Stockholders' Equity	13400	12800
Total Liabilities and Stockholders' Equity	23,000	21800

Keith Corporation Income Statement Data (2021) (in ₹)

Depreciation Expenses	1,600
Earnings before Interest and Taxes (EBIT)	2,700
Interest Expenses	367
Net Profits After Taxes	1400
Tax Rate	- As per corporate tax levied.

i). Calculate the firm's net operating profit after taxes for the year ended December 31, 2021.
ii). Calculate the firm's operating cash flow for the year ended December 31, 2021
iii). Calculate the firm's free cash flow for the year ended December 31, 2021.
iv). Interpret, compare, and contrast your cash flow estimates in parts ii and iii.

Q7: Brianair plc is a budget airline. Brainair plc draws up its financial statements to 31 January each year. Below are the income statements, extracts from the statements of financial position and extracts from the notes to the financial statements for Brianair plc for the financial years ended 31 January 2022 and 31 January 2021.

	2022 (£m)	2021 (£m)
Revenue: Seat revenue	1,718	1,594
Revenue: Other revenue	80	92
Total revenue	1,798	1,686
Cost of sales	1,410	1,362
Gross profit	388	324
Selling and distribution costs	41	40
Administration expenses	100	94
Operating profit	247	190
Finance income	5	4
Finance expense	7	7
Profit before tax	245	187
Income tax	49	37
Profit for the year	196	150

	2022 (£m)	2021 (£m)
Non-current assets	1,326	1,266

	2022 **Number**	2021 **Number**
Average number of employees during the year	3,728	3,417
Average number of aircraft leased during the year	250	235
Total number of passengers during the year (millions)	32.5	29.6
Total aircraft capacity during the year (millions of passengers)	40.0	37.6

All the costs that make up cost of sales are fixed apart from the cost of fuel for aircraft.
Selling and distribution costs consist entirely of advertising expenses.
Calculate the following ratios for 2022 and 2021 for Brianair plc:

Gross profit percentage, Operating profit percentage, Profit before tax percentage, Profit after tax percentage, Non-current asset turnover, Revenue per employee, Operating profit per employee, and any other ratios you consider to be relevant to an evaluation of the profitability of Brianair plc

Your calculations should be made to two decimal places where appropriate.

Q8: Based on the information available in Question Number 7, Evaluate the increase in profitability for Brianair plc, using your ratios and the other information in the question to explain why profitability has increased in the financial year to 31 January 2022.